

APPENDIX A

HOUSING NEEDS PERFORMANCE REPORT

July 1, 1991 to June 30, 1999

			TARGETED POPULATION				TARGETED INCOME						
Jurisdiction	Project Title	Asst	Elderly	Small Family	Large Family	Special Needs	Extre. Low (<30%)	Very Low (31-50%)	Low (51-80%)	Low Inc. Total	Moderate (81-120%)	Form of Ownership Rent/Own	Funding Source(s)
Chula Vista	Silvercrest	A	75					75		75		Rent	1, 17
	Dorothy St Manor	A			22		22			22		Rent	14, 15
	Park Village Apts	A			28			10	18	28		Rent	11, 13, 15, 28
	Sanibelle	A		36	36					0	72	Own	9
	Madison Street	A		2	1				3	3		Rent	3
	Casa Nueva Vida 1	G				13	13			13		Rent	1, 7, 13, 15, 31, 34
	Casa Nueva Vida 2	G				12	12			12		Rent	1, 7, 13, 15
	Cabo	A							13	13	39	Own	13
	Mortgage Credit Certificate	B						1	98	99	89	Own	27
	Section 8/Rental Certificates	B	277	177	239			624	69	693		Rent	18
	L St Apts	A			16				16	16		Rent	14, 15, 17
	C.H.I.P	E							213	213		Own	15
	Shared Housing	B						46	197	243		Rent	1
	Mobilehome Rent Asst Prog	B	6						1	1	5	Own	18
	Oxford Terrace	D		121	11		82	32	18	132		Rent	37
	Palomar	D		155	13		61	77	30	168		Rent	37
	SBCS Transitional Hsg	G				2	2			2		Rent	13

			TARGETED POPULATION				TARGETED INCOME						
Jurisdiction	Project Title	Asst	Elderly	Small Family	Large Family	Special Needs	Extre. Low (<30%)	Very Low (31-50%)	Low (51-80%)	Low Inc. Total	Moderate (81-120%)	Form of Ownership Rent/Own	Funding Source(s)
	SBCS Transitional Hsg	G				3	3			3		Rent	31, 34
	Cordova Village	A		16	24			8	32	40		Rent	7, 9, 11, 15
	Trolley Terrace Townhomes	A		4	14			18		18		Rent	3, 7, 11,15
	SBCS-Dom Viol Hsg	H				2	2			2		Rent	7, 15
TOTAL			358	511	404	32	197	891	708	1796	205		

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APPENDIX B

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SUMMARY OF MEETING WITH AFFORDABLE HOUSING DEVELOPERS

The City of Chula Vista has prepared its Draft Housing Element of the General Plan for the period beginning July 1, 1999 to June 30, 2004. One of the more important policies identified within the City's Housing Element is the Affordable Housing Program (AHP), which requires that developments of 50 or more residential units must provide a minimum of 10 percent of these units as affordable to low and moderate income households. Staff has also begun work on the Implementation Guidelines for this Program.

In an effort to solicit comments from those most affected by the City's Affordable Housing Program, the City met with developers of affordable housing. It was staff's intent to receive candid input from these developers regarding their perceptions and experiences from the "other side of the counter" in processing affordable housing projects, barriers to developing and processing such projects, including but not limited to City fees and exactions, processing time, etc., and the City's strengths and weaknesses in processing and development of affordable housing.

The comments received and summarized below are generalized and do not necessarily reflect the comments of all developers nor do they represent the opinions of the City. The comments received were used to revise the constraints section of the Housing Element, to review the proposed programs and goals of the Element to ensure that the City is taking measures to aid in reducing or mitigating constraints and barriers and to encourage housing opportunities throughout the City, and to guide the development of the AHP Implementation Guidelines. It is the intent of the City to provide additional follow up to these meetings by reviewing the comments received, reviewing and evaluating City processes, and taking appropriate actions, if necessary.

The following is a summary of the meetings held on June 23 and July 14, 2000:

Affordable Housing Program

Strongly support the Affordable Housing Program and the new construction of affordable housing. The intent of the AHP is to provide a balance of housing opportunities for all economic groups throughout the City. Without a mandatory program to provide affordable housing units within the newly developing areas of the community, residential developers would not provide these affordable housing opportunities. New construction should be the first priority for the Affordable Housing Program. While acquisition and rehabilitation of residential units is needed for revitalization, it does not create new housing and will not meet the increasing demand for housing as the population grows. Rehabilitation activities do not meet the City's goals under the State requirement to provide its share of the projected need for new housing in the region (Regional Need). The City has other programs, outside of the AHP, to address the community's need for preservation and maintenance of the existing housing stock. The AHP must be clear and enforced.

In Lieu Alternative

Affordable housing developers support the City's position to require the new construction of affordable housing. In lieu fees can be effective in producing affordable housing, if the in-lieu fee is calculated to establish the correct gap of what a low-income household can afford to pay for housing and the actual costs of constructing a unit. Typically, however, the revenue generated from the payment of in-lieu fees is insufficient to build the required units that are needed to meet the growing need for housing and more specifically housing that is affordable.

Rehabilitation of Rental Housing

Where the City/Agency is providing financial assistance for the rehabilitation of units, the City/Agency should look at projects which provide deeper affordability levels than expected from new construction activities and housing for larger families. These rehabilitation projects are typically at rents below market. Typically, those existing units in need of rehabilitation on the Westside of the community are some of the more affordable but are in substandard condition. The older developments are also typically smaller size units of one or two bedrooms. The City's/Agency's participation should involve the conversion of these small units to larger three+ bedroom units.

While rehabilitation of existing housing does not add to the overall increase of available housing, the City's participation in the acquisition and rehabilitation of existing housing will convert these market rate units into affordable housing. Additionally, the rehabilitation of this housing will improve the overall quality of life of the residents by ensuring affordable rents, providing new amenities, and renovating substandard housing.

Balance of Affordable Housing Activities

Encourage the City to continue to implement activities/programs that provide both new construction and rehabilitation opportunities. Encourage the provision of affordable housing opportunities and activities throughout the City. While the City needs to provide new housing opportunities to meet the population growth, the City should balance this policy with the need to preserve and maintain existing housing to so as to prevent the acceleration of neglected and blighting neighborhoods.

Identification of Targeted Areas

Developers spend their own predevelopment monies and time analyzing projects without the clear direction from the City that the area or project is one that would be supported by the City/Agency. To better focus time and resources, developers would like the City to identify areas for revitalization and affordable housing opportunities.

Design Review Committee (DRC)

The DRC makes landscape and architectural recommendations that some members of in the development community believe they are not qualified to make. These individuals believe that

at times, recommendations and comments that are made are subjective. Developers would like to see, if possible, more objective comments.

DRC recommendations can add to the cost and processing time of projects. For affordable housing projects, additional design costs and delays in processing are critical. Limitations on budgets do not allow for additional costs to satisfy design considerations of the DRC. Affordable housing projects are time sensitive. The available sources of funding have critical deadlines that must be met and any delays jeopardize the project's ability to make these funding deadlines. Additional time added to the processing of projects also adds costs to project. The more time added to the timeline the more interest developers have to pay on their loans.

It was noted that the City was currently reviewing the DRC process in an effort to streamline this process. As directed by the City Council, City staff is to make improvements to the existing process by having the DRC adopt procedural policies, meet with representatives of the development community, Chamber of Commerce and the DRC to identify inconsistencies and concerns, and to amend the Municipal Code regarding DRC membership and scope of responsibilities. Developers having more recently dealt with DRC have noted the changes taking place and were hopeful of the process.

Plan Check Process

The Planning and Building Department has contracted with an outside consultant for the plan check of large developments. The use of outside consultants adds another layer of bureaucracy. Developers currently have no point of contact with the consultant. Should developers have questions or need to find out the status of a project, they must contact the City first, the City contacts the consultant, the consultant contacts the City and then the City responds back to the developer. There is no relationship/face with the consultant as there is with City staff.

It was noted that the use of consultants for industrial or large-scale developments was intended to assist in speeding up the plan check process. To assist affordable housing developers with the processing of their time sensitive projects, the City could provide a specific contact person in the Building Division.

Additionally, developers commented that there appears to be a lack of communication among the development services divisions of Engineering, Planning and Building. At times, it is their impression that staff members within the Building Department have little communication amongst themselves.

Developers would encourage coordination and communication between all development services divisions. Affordable housing projects are extremely time sensitive. Such time delays in the processing of affordable housing projects lead to higher costs for the project and jeopardize the available funding sources.

The City should establish a fast track process for affordable housing projects. Affordable housing projects are time sensitive due to deadlines established for the funding sources. For

example, tax credit projects are required to pull building permits within 90 days of being awarded the tax credits.

Some affordable housing developers have been told that the City does implement a fast track process and an even faster process referred to as the “Red Path”. Community Development staff and other developers are not aware of this fast track processing.

Coordination Meetings

With the processing of large affordable housing projects such as Teresina at Lomas Verdes, the developer found the “all hands” coordination meetings to be extremely helpful. These meetings, which involved Planning, Engineering, the City Manager’s Office, Community Development and the development team, allowed for issues to be aired and resolved with all parties present. This allowed for a faster processing of the project and demonstrated to the development team the high level of commitment of City staff.

Fees

Affordable housing projects are paying the same fees as market rate residential developments. However, affordable housing projects do not have the ability to pass these costs on to the project. These projects cannot generate the same revenue sources as market projects, such as rental income. Affordable housing developers strongly advocate the City to waive, reduce, or at a minimum, defer fees for affordable housing. Fees are one of the major governmental roadblocks to the production of affordable housing for low-income households.

The City can provide low interest loans to affordable housing developers to assist with the development costs, in particular the costs of fees and permits. However, this assistance does not truly help to reduce the costs of developing affordable housing. Instead of using the City’s financial assistance to make the housing more affordable, developers have to use the funds to pay fees and permits. In essence, the City provides \$1 million in financial assistance and then affordable housing developers turn right around and pay the \$1 million back to the City for the payment of City fees.

Many of the City’s fees, such as sewer fees and assessment districts, are formula driven. As a result, fees are hard to pin down without having the most accurate information. Accurate estimates within the ballpark are needed. With the budget limitations of affordable housing projects, increases in costs due to wrong estimates of costs such as fees, means hard costs decisions. City staff needs to understand that these projects are not financed through conventional financing and therefore, these projects are much more sensitive to time delays and to increased costs.

There is talk of the City of Los Angeles having a user-friendly system that allows developers to get a good estimate of fees. Reference their web site.

Otay Water District

Difficult to deal with for the processing of projects and payment of fees.

School Districts

Difficult to deal with for the processing of projects and payment of fees. Often times, developers are dealing with consultants and there is a lack of communication.

Community Facilities Districts (CFDs)/Homeowner's Association (HOA)

By the time affordable housing developers get involved with a proposal to build an affordable housing project, the property has already been annexed into a CFD and part of the HOA. Affordable housing developers would recommend that those sites for affordable housing projects not be included within a CFD or HOA. CFDs destroy the value of these projects. For those affordable housing projects financed with tax-exempt bonds, CFDs are problematic because they lower the net operating income to be generated from the project and therefore, lower the bond issuance. With the budget limitations and no ability to raise rents (income) for affordable housing projects, increases in costs due to CFDs and HOAs, means hard costs decisions and less financing available.

9% Tax Credit Financing

Under the current regulations, affordable housing projects that are developed in response to inclusionary housing (balanced communities) policies are not able to compete effectively against those proposals addressing smart growth principals, housing for persons with AIDs or other special needs housing. Acquisition and rehabilitation projects within revitalization areas are better suited for tax credit financing.

Tax Exempt Financing

For those affordable housing projects developed in response to inclusionary housing (balanced communities) policies, tax exempt financing is the better financing option. As discussed earlier, CFDs are problematic. Unfortunately, in Chula Vista most of the new construction of affordable housing takes place in master planned communities, which are part of CFDs.

At best, the lowest targeting of incomes that is financially feasible is 50 percent AMI. The City should not try to request any deeper affordability than the 50 percent AMI level.

The experiences of developers working with the City for the issuance of tax-exempt bonds have been positive. The City has been reasonable in its issuer fee, reporting requirements and its regulatory agreements. The City has allowed the use of private placement letters.

City/Agency Loans

When providing financial assistance to developers of affordable housing, the assistance is typically provided as a below market residual receipts loan. Typical terms: 6 percent simple interest and repayment from a fund equal to ninety (90%) percent of the "Residual Receipts". The 90:10 split does not work. Most cities in the region, the County and the State provide financial assistance at a 3 percent interest rate. Developers would recommend that the split of residual receipts be based upon the industry standard of 50:50 and an interest rate of 3 percent.

Article XXXIV of the State Constitution

Article XXXIV of the California Constitution (Article 34) requires that voter approval be obtained before any "state public body" develops, constructs or acquires a "low rent housing project". A redevelopment agency is a "state public body" for purposes of Article 34, and as a result, if a redevelopment agency participates in development of a "low rent housing project" and that participation rises to the level of development, construction, or acquisition of the project by the agency, approval by the electorate pursuant to Article 34 is required for the project.

On April 11, 1978 under Proposition C, the voters of Chula Vista authorized the development, construction, or acquisition of 400 units of "low rent housing" by the Agency. Of the 400 allowable credits, Chula Vista has utilized 293 units and has a balance of 107 units remaining.

Analysis of the applicability of Article 34 to affordable housing projects has added time delays and costs associated with attorney fees. Developers would like the City to initiate a referendum to obtain more authority to develop affordable housing within the community. With the majority of residents needing affordable housing and the economic health of the City, this may be the most opportune time to gain voter approval of additional affordable housing.

Attorneys

Due to the complicated financing of affordable housing projects, issues of relocation, and Article XXXIV, many attorneys representing the investors, developers, and the City are involved. Developers have found the City's Attorneys to be very cautious at times in their approach to relocation and Article XXXIV. This has translated in to time delays to ensure all legal bases are covered and the subsequent increasing costs to the project for legal fees.

While developers understand the Attorneys' need to protect the City's interest, it is recommended that issues be identified as early as possible and some flexibility be given.

General Comments

Chula Vista is one of the most friendly and easiest cities to deal with for the processing of projects.

MEETING WITH AFFORDABLE HOUSING DEVELOPERS

ATTENDANCE

June 23, 2000

Ana Baiz-Torres
MAAC Project

Chris Moxon, Community Development
Director
South Bay Community Services

Wally Dieckmann, Chief Financial Officer
Chelsea Investment Corporation

Ruben Islas
Avalon Communities

Staff Present:

Jim Sandoval, Assistant Planning and Building Director
Juan P. Arroyo, Housing Manager
Leilani Hines, Community Development Specialist

July 14, 2000

Ken Sauder, Executive Director
Wakeland Housing and Community
Development

John Seymour
Southern California Housing Development
Corporation

Chip Murphy, Project Manager
Chelsea Investment Corporation

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